

JFMIP NEWS

A Newsletter for Government Financial Managers

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New JFMIP Steering Committee Members

JFMIP has two new Steering Committee members—Robert Reid and Kathleen Turco.

Robert (Bob) Reid became the Deputy Fiscal Assistant Secretary for Accounting Policy at the U.S. Department of the Treasury in June 1999. He serves as the Department's representative on the Federal Accounting Standards Advisory Board (FASAB), which formulates and recommends accounting standards for use by Federal agencies in the preparation of their financial statements. He also serves as the Department's senior official on accounting policy and he provides policy oversight over government-wide accounting and the preparation of the annual government-wide consolidated financial statements.

Prior to joining the Treasury Department, he held several positions in the District of Columbia (D.C.) government, including the Controller of the city and Deputy Director and Chief Financial Officer of the lottery. Prior to that, he served as a key member of the financial staff that established Conrail as a viable railroad after the Penn Central failure. Mr. Reid started his career with Arthur Andersen & Co. performing audits of commercial accounts in 1972. Mr. Reid holds a B.A. in



Robert Reid

economics from Ursinus College and is an alumnus of the Kennedy School of Government at Harvard University.

In August 2002, Kathleen Turco joined the General Services Administration senior leadership team as the Chief Financial Officer (CFO). In this capacity, she serves as the principal advisor to Administrator Stephen A. Perry on all financial and budgetary policy, operations and liaison activities with Congress, Office of Management and Budget (OMB), and other Federal agencies. Prior to GSA, she was with the Internal Revenue Service (IRS) and served as the Director of Financial Policy, Planning and Programs for the CIO/Deputy Commissioner for Modernization, a position that involved being the principal advisor on all financial matters for business systems modernization and information technology operations. In her first three years at IRS, as the Deputy CFO for Strategic Planning and Budget, Ms. Turco was widely regarded as the "go-to" person on issues regarding strategic analysis.

During her government career, she has served as the OMB senior program examiner for all IRS tax administration program and budgetary matters, including the enactment of the IRS Business Systems



Kathleen Turco

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A Joint Perspective

During my tenure as JFMIP Executive Director, the Fall Joint Perspective has presented a report card that assesses what we have provided to the federal community over the last year and takes a look ahead. The summer issue highlighted the JFMIP Principals' active engagement in defining financial



*Karen Cleary Alderman
Executive Director, JFMIP*

management success, enhancing independent institutions critical to success, removing impediments to success; and promoting shared capacity to cost effectively promote success. The fifth meeting of the Principals was held on September 10, 2002. Over the course of the last year, the JFMIP Principals used this forum to assess and made decisions on:

- Defining success measures for financial management performance that go far beyond an unqualified audit opinion on financial statements and include measures such as financial management systems that routinely provide timely, reliable, and useful financial information and no material internal control weaknesses.
- Restructuring the Federal Accounting Standards Advisory Board's (FASAB) composition to enhance the independence of the Board and increase public involvement in setting standards for federal financial accounting and reporting.
- Significantly accelerating financial statement reporting so that the government's financial statements are timely and to discourage costly efforts designed to obtain opinions on financial statements without addressing underlying systems challenges.
- Establishing audit committees with initial establishment of the governmentwide advisory committee and piloting audit committees in agencies.

- Addressing the impediments to an audit opinion on the U.S. government's consolidated financial statements.
- Reporting and auditing social insurance financial information that is consistent between the reports issued by the Social Security and Medicare trustees and the U.S. government's consolidated financial statements.
- Using full cost data in the budget decision-making process to enhance the planning process and the evaluation of the cost of operations, and to enhance consistency and transparency relating to presentation of this information and greater accountability for results.

The JFMIP Principals' active leadership demonstrates personal commitment to improving financial management and creates expectations and accountability for action.

For the last four years, the CFO Council has devoted about \$2.4 million annually to the JFMIP staff to accomplish specific efforts that benefit the financial management community. This issue is devoted reporting on JFMIP staff accomplishments in FY 2002 to provide strategic capabilities to the CFO community. These efforts are in five areas: financial systems requirements; financial system testing and qualification process; human resources management; special studies; and outreach and knowledgebase.

Financial System Requirements

In FY 2002 JFMIP issued the Financial /Acquisition Systems Interface Requirements, Non-Income Tax Revenue System Requirements exposure draft, updated the Core Financial System Requirements document, initiated work to update the Framework for Financial Management Systems, and Inventory System Requirements, and last but not least, the issuance of the exposure draft "White Paper: Financial Systems Data Conversion – Considerations." This body of work reflects collaboration, leadership, and expertise coming from many individuals and government organizations.

While each of these efforts is designed to add value, I would like to highlight several

efforts that have brought the community together. One of the most satisfying was issuing the acquisition/financial system document. This effort reflected leadership from the Procurement Executive Council (PEC.). The development of joint requirements was incorporated in both in PEC and CFO Council strategic plans demonstrating common recognition by both communities that success of financial and acquisition systems depended upon shared information between functions. Translating these functional requirements into a common language understood in both communities was easier said than done, but eminently doable when the communities shared the goal.

Establishing joint leadership to achieve shared vision will greatly strengthen the value of the financial system framework. The recently initiated effort to update the JFMIP Framework for Federal Financial Management Systems is drawing upon the dual leadership of the Chief Information Officer (CIO) community and the CFO community. We also welcome the active participation of the PEC as well as other functional perspectives. This effort will result in presenting the financial segment of the Federal Enterprise architecture as well as the central agency and agency roles in financial functionality. This challenge is easier said than done. The key to define the financial management business which covers the source of funds (revenue), use of funds (program execution), and financial event processing (accounting) into an architecture model that describes the business, information, data, and system applications outcomes and capabilities which operate on a technology base. The financial segment must describe this framework in two dimensions—the central agency view and the program agency view. The program agency view has to consider the subsidiary systems that support the business of government and generate financial events, and the core system that controls and accounts for funds and captures cost information. These multiple levels are interdependent in supporting the business of government.

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New JFMIP Software Qualification Test for Core Financial System Available

The new JFMIP qualification test based on the November 2001 Core requirements was finalized on September 13, 2002. The test and the *Core Financial Systems Requirements* document are available on JFMIP's website at <http://www.JFMIP.gov>. The Core financial system requirements remain the basis for the Federal government to test compliance of commercially available Core financial software. In fiscal year (FY) 1999, JFMIP developed a new testing and qualification process, directly linking tests to these requirements. In addition, the testing/qualification process was separated from the acquisition phase of the software selection process governed by the General Services Administration.

Under the JFMIP testing process, certificates of compliance for software products expire three years after the certificate is issued. To maintain the certificate, JFMIP requires the vendor to submit the software product for a complete retest. This test process requires a complete cycle of development, which includes: 1) revising the *JFMIP Core Financial System Requirements* document, which was completed in November 2001; 2) developing a new certification test, just completed September 13, 2002; and 3) executing the test for the software products, which will be conducted during the last quarter of calendar year 2002 and the first half of calendar year 2003.

A prime consideration in this process is to test any new (or clarified) Government requirement as stated in the core requirements document. This is an important stage in the process since this ensures compliance with stated requirements.

JFMIP incorporated improvements to the test based on what JFMIP learned from prior tests. Additionally JFMIP reviewed actual agency experience in the use of tested software products, to determine requirements that should be tested more thoroughly. Therefore, JFMIP interviewed agencies that have the most current software products, to better understand where the test could be improved. JFMIP used this information to further improve the test.

For agencies, it is important to note that even if an agency has procured a software

product, this new requirement and test cycle will be beneficial. The process will direct software products to either meet new requirements or to better meet existing requirements. As agencies upgrade to the new software product versions, they can ensure that the software product offered remains aligned with the Government's requirements.

JFMIP's Schedule to Test COTS Products

JFMIP will begin the requalification of existing core financial system products in the last quarter of calendar year 2002 and the first half of calendar year 2003. During the application process and the test itself, JFMIP will collect information about the software products which will be posted on the JFMIP website. This will include an extensive list of the specific software, including modules, and any third party software such as report writers that is used to meet the Core requirements. It also will

document select software table configuration information and provide a list of the source of reports that the software uses to meet the Core requirements. This information should help the Federal agencies in their evaluation of core software products.

In addition, JFMIP will explore possible improvements to the JFMIP test materials that would be beneficial to agencies. Since the new test is designed to cover a variety of accounting issues and the various types of funds that an agency could have, JFMIP will look into the further use of the test materials as a basis for developing new training materials for financial staff. JFMIP will also explore the use of the test by agencies in developing internal tests of existing systems or when comparing the various software products. Ultimately the government should be able to leverage the developed test materials into other valuable products for use by agencies.

For more information, please contact Steven Balsam, email Stephen.balsam@gsa.gov or (202) 219-0531. □

JFMIP Issues Exposure Draft on Financial System Data Conversion Considerations

On August 15, 2002, JFMIP released an exposure draft of a white paper entitled, "Financial System Data Conversion Considerations." Comments on this draft paper are due by October 31, 2002. The federal community has identified data conversion issue as a major challenge in the implementation of new systems. This paper is intended to be informative, raise awareness of issues and potential problems. The purpose of the white paper is to discuss data conversion considerations for purposes of planning when replacing a core financial system.

Data conversion is defined as the modification of existing data to enable it to operate with similar functional capability in a different environment. Specific issues that apply uniquely to a core financial system are:

- Identifying specific open transactions

and balance to be established;

- Consideration of data conversion approaches and implications;
- Analysis and reconciliation to validate transactions and data; and
- Establishing transactions and balances in the new system through an automated or manual process.

The following questions are addressed in this paper.

- What are the key considerations regarding data conversion and cutover to the new system?
- What are the best approaches for completing the data conversion and cutover?
- What are the benefits and processes to reduce risks of the various approaches?

For more information, please contact Elvon Lloyd at elvon.lloyd@gsa.gov or (202) 219-0532.

Mark W. Everson Confirmed as OMB Deputy Director for Management

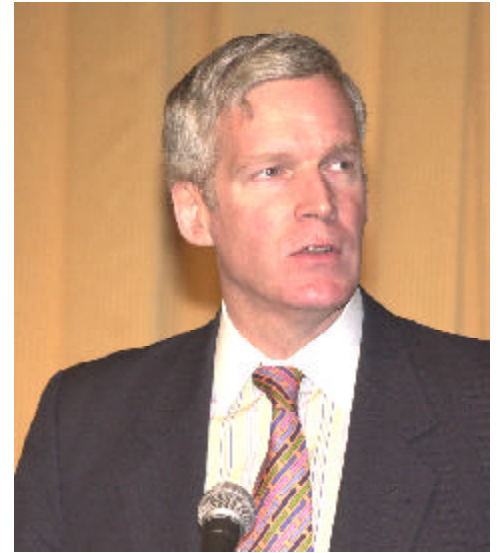
On August 1, 2002, the U.S. Senate unanimously confirmed Mark W. Everson as the Deputy Director for Management for the Office of Management and Budget (OMB).

The Deputy Director for Management provides government-wide leadership to Executive Branch agencies to strengthen federal management and improve program performance.

Mr. Everson serves as Chair of the President's Management Council and lead this team of cabinet department and major agency chief operating officers in effectively implementing the President's Management Agenda. He also has an important role in transition planning for the new Department of Homeland Security. As Deputy Director for Management, he chairs other interagency councils, such as the Chief Financial Officers Council, President's Council on Integrity and Efficiency and Procurement Executive Council.

Mark Everson joined the Bush Administration in August 2001 and has been serving as the Controller of the Office of Federal Financial Management since his confirmation in November 2001. Formerly, he was the Group Vice President of Finance for SC International Services, Inc., a private Dallas-based food services company. From 1988 until 1998, Mr. Everson held several financial and operating positions with one of France's largest industrial groups, Pechiney, most notably as the Senior Vice President- Control in Paris, France.

He also served in the Reagan Administration from 1982 until 1988 in the U.S. Information Agency before becoming Special Assistant to Attorney General Edwin Meese III at the Department of Justice in 1985. He also worked at the Immigration and Naturalization Service as Executive Associate Commissioner and then Deputy Commissioner, where he oversaw the implementation of the Immigration Reform



and Control Act of 1986. Mr. Everson received his Bachelor of Arts in history from Yale University and a Master of Science in Accounting from the New York University Business School. □

Focus on Financial Management Human Capital Issues

As reported in the summer 2002 issue of the JFMIP News, JFMIP is undertaking a study to identify the issues critical to the effectiveness of the financial workforce in the federal government. As a part of this study, the JFMIP and Private Sector Council (PSC) jointly sponsored a forum on September 26, 2002 to engage a dialogue with the private sector on best practices related to financial management human capital issues. The federal government is facing human capital issues similar to the ones faced in the private sector—issues such as changing human capital competencies, and retaining and motivating quality employees in an environment of continuous change. Forum participants included representatives from the Private Sector Council, the U.S. Chief Financial Officers Council, President's Council on Integrity and

Efficiency Human Capital Committee, and the JFMIP Steering Committee.

Jeffrey Steinhoff, Managing Director, Financial Management and Assurance, General Accounting Office and then Chair of the JFMIP Steering Committee, gave an overview of the human capital issues faced by the federal government. A.W. "Pete" Smith, President and CEO, PSC, led the panel discussion on human capital issues. Four representatives from the private sector gave brief overviews of the human capital challenges faced by their respective organizations.

Cathy Demeda, Senior Human Resources Advisor at RBC Financial, provided background on this Canadian financial institution. She described some of the challenges they have faced: "professionalizing" finance; developing leaders; determining and focusing on behavioral competencies of value to the

organization; workforce planning with changing demographics.

Michael Kramer, Director of Finance at The Boeing Company, discussed his company's approach in dealing with human capital issues. This includes considering finance to be business partners with managers, the importance placed on lifelong training and continuous learning. Due to mergers with other companies over the years, they have dealt with issues in integrating companies and systems.

Kevin Schick, Vice President and Controller at Con-way Transportation, provided some recent successes in using technology and process improvement to increase transactional capacity and shorten the timeframes for the monthly close. Another successful program was to codify a company mission statement that reflects the organization's values.

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Erroneous Payments Committee of the CFO Council

The U.S. Chief Financial Officers Council (CFOC) formed five committees in the Fall of 2001, all of which were directly related to a plank in the President's Management Agenda. The Erroneous Payments Committee, chaired by Mark Carney, Deputy Chief Financial Officer at the Department of Education, is the group tasked with identifying the best practices for managing this Federal-wide problem. Mr. Carney authored the charter and established the deliverables for this Committee. He felt strongly that the group should accomplish genuine objectives, not just come up with vague policy recommendations or pronouncements.

Early on in the committee formation, he was contacted by Education's Office of Inspector General (OIG), who was interested in working collaboratively with this committee to reach common goals and engender an atmosphere of cooperation between the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE), and CFOC communities. Both the CFOC agencies and their respective OIGs were required to respond to Senators Thompson and Lieberman's letter requesting information and history on agency erroneous payments. In addition, the Office of Management and Budget (OMB) through Chapter 57 of the A-11 Budget Circular, also requires annual reporting as part of an agency's budget submission. Hence, the Erroneous &

Improper Payment Joint Initiative Working Group was formed.

This joint working group meets once a month, and the sub-groups assigned to each of the five deliverables meeting more often as required to accomplish their tasks. The five deliverables are:

- Prepare a position paper defining the group's perspective on mitigating and managing payment risks;
- Prepare a critique on the effectiveness of the differing processes used to determine erroneous payment rates;
- Establish a set of indicators that represent the nature and extent of the erroneous payment problem, setting up Federal benchmarks, if feasible;
- Develop guidance based on risk assessments to ensure adequate monitoring, eligibility controls, and utilization of automated systems for managing erroneous payments;
- Create a proposal to establish a funding mechanism for administrative costs associated with the activities related to oversight of erroneous payments.

The joint working group is represented by 12 of Federal and quasi-Federal agencies, representing a wide variety of payment and program challenges, including the OMB. The US Postal Service, Department of Health & Human Services, the Social Security Administration, the Department of Veterans Affairs, the Internal Revenue Service, as well as several others. The respective OIGs for each of the 12 agencies are also full

participants. The Education Acting Inspector General, Jack Higgins, is the Co-Chair of the Joint Working Group. Each sub-group is led by one CFOC representative and one PCIE/ECIE representative. This ensures a broader perspective for each deliverable as well as continuity within the groups.

The monthly meetings encompass administrative issues, progress discussions on the tasks involved with each deliverable, updates to the time line calendar, as well as an external speaker speaking on topics relevant to the group's work. Thus far, a Federal enterprise franchise recovery auditing organization (the DVA Financial Services Operation based in Austin, TX), GSA Financial Services, and the Senior Counsel for the House Committee on Government Reform have provided presentations at the monthly sessions. Future speakers include a private sector recovery auditing firm and a data mining vendor.

When asked his interest in the subject of erroneous payments, Mr. Carney stated, "the primary objective of our work is to produce concrete deliverables that have real-life applications to Federal management of payment risk. . . in particular, in reducing erroneous payments government-wide. This is the reason I welcomed the challenge of chairing this Committee."

For further information, and/or if you are interested in joining this dynamic working group, please contact Sally Clark, Senior Assistant to the Committee Chair at sally.clark@ed.gov or (202) 401-2616. □

New JFMIP Steering Committee Members

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Modernization account. Ms. Turco began her career at the Department of Education in the Office of Planning, Budget and Evaluation where she was a policy analyst. She has a Master of Business Administration from the University of West Florida and a Bachelors degree from the University of Maryland

The Chairs for JFMIP rotate on a biennial basis. OMB Director Mitchell Daniels is now the Chair of the JFMIP Principals. The Principals include Treasury Secretary Paul O'Neill, Office of Personnel Management Director Kay Coles James, and Comptroller General David Walker. The Principals meet on a quarterly basis.

The current Chair of the Steering Committee is OMB Deputy Controller

Joseph Kull. In addition to the new members mentioned above, the other members of the JFMIP Steering Committee are Kathleen McGettigan, OPM, CFO; Jeffrey Steinhoff, Managing Director, Financial Management and Assurance, General Accounting Office; and Karen Cleary Alderman, JFMIP Executive Director. The Steering Committee meet monthly. □

Executive Potential Program Participants at JFMIP

The JFMIP is hosting several participants from the Executive Potential Program (EPP) for developmental assignments. EPP is a 12-month nationwide career enhancement program that offers training and developmental assignments to high-potential GS 13-15 employees who are moving into managerial positions.

GraTheryn C. Weston, a native of Miami, Florida, received her B. A. in Mass

Communications at Hampton University, Hampton, VA. She continued her studies at the Florida International University School of Education. Ms. Weston entered the Human Resource (HR) arena with the Department of Army's HR Intern program. She has held a number of senior HR analyst positions at several field sites including: Fulda & Munich, Germany, Ft. Myer & Ft. Belvoir, Washington Headquarters Service, Uniformed Services University of the Health Sciences, and the Department of Defense Education Activity. Currently, Ms. Weston is a Senior Analyst at the Department of State, Central HR office, where she is responsible for providing guidance and interpretation to managers and staff at satellite offices responsible for providing HR services to employees located in Bureaus and embassies throughout the US and abroad. Ms. Weston is an active member in her church and community and the proud parent of one daughter who is a freshman in college.

Ms. Weston was on a 60-day developmental assignment at JFMIP from August 5 through October 11, 2002. Ms. Weston worked on the Federal financial management human capital study that will recommend strategies to meet the future needs of the Federal Government.



GraTheryn Weston

Sandra L. Williams is a Grants Specialist at the Environmental Protection Agency (EPA) Headquarters, Washington D.C. Sandra has 34 years of government service, with 31 years at EPA. She has held several positions, such as clerical, grants assistant, and a team leader for a nine-member Interagency Agreement (IAG) Team. Sandra is currently an Associate Award Official (AAO) with the responsibility of awarding all Headquarter (including Laboratories) IAGs on behalf of the agency. Sandra



Sandra L. Williams

conducts project officer training in reference to Interagency Agreements. She often conducts training for regional participants via telephone conference.

Sandra started her Executive Potential Program developmental assignment at the JFMIP on October 7. She will be working on the inventory systems.

Christian Obineme is an Area Energy Conservation Specialist at the U. S. Department of Agriculture, Agricultural Research Service, Beltsville Area (BA). He is responsible for the provision of

technical advice to the Area Management on energy conservation techniques suitable for its facilities, which includes the monitoring of the energy conservation programs and reports on trends. He works closely with the Research Leaders and Institute/Center Directors providing advice on the best building and space retrofit applications that could reduce energy costs. He is also responsible for the management of the facilities utilities accounts of approximately \$7 million per fiscal year. Christian is coordinating a multi-years, multi-million dollars guaranteed savings repayment Energy Savings Performance Contract (ESPC) for its facilities. Christian received a Trailblazer award from the Department of Energy



Christian Obineme

Award for his leadership in new energy savings innovations at his facilities, a National Biodiesel Board Award for his leadership on the Biodiesel demonstration at his facilities, and "The Close of the Circle" Award at the White House for alternate fuel, biobase, and environmentally friendly product applications in its facilities. A graduate of Morgan State University, Baltimore, Maryland with Bachelor of Science degree in Urban Studies, a Master of Architecture degree, and a Master in Business Administration/Finance degree.

At JFMIP, Christian is working on the Federal financial human capital study that will recommend strategies for the financial workforce to meet future needs of the Federal government. □

Deadline for JFMIP Award Nominations

January 3, 2003

Nominations for the Donald L. Scantlebury Memorial Award for Distinguished Leadership in Financial Management Improvement are due by January 3, 2003. For further information go to the JFMIP website, and download a copy of the brochure.

<http://www.jfmip.gov>

FINANCIAL MANAGEMENT PROFILE

Samuel T. Mok was confirmed by the Senate as the Department of Labor's (DOL) Chief Financial Officer (CFO) on January 25, 2002. He is DOL's senior advisor to the Secretary of Labor, Congress, Office of Management and Budget (OMB) and other stakeholders on the financial affairs of DOL. Under his leadership, the Office of the Chief Financial Officer (OCFO) provides high integrity financial information, policy, services and products in support of the Department of Labor's four strategic goals: A Prepared Workforce, A Secure Workforce, A Competitive Workforce and Quality Workplaces.

Mr. Mok is currently the only CFO to have previously served as a cabinet-level career CFO, and he is the first Asian American to have held this post. Under the first Bush Administration, he served as the career SES Comptroller and then as the first Chief Financial Officer of the U.S. Treasury Department. He is a licensed accounting professional (both a Certified Internal Auditor and a Certified Government Financial Manager) who has worked his way up the financial management ladder from an accounting clerk through auditor and senior corporate financial management executive positions with the Fortune 500 companies Time-Life Books and U.S. News & World Report.

Born in Shanghai, China, and raised in Hong Kong, Mr. Mok studied under the La Salle Christian Brothers for his first twelve years of formal education. He received a Jesuit education at Fordham University, graduating with a double major in philosophy and accounting. He served 5 years in the U.S. Army as a commissioned officer stationed at Tokyo, Okinawa and at the U.S. Military Academy at West Point. He subsequently received an M.A. in auditing from Catholic University under the GI Bill.

Major Accomplishments

DOL's OCFO has an outstanding record of federal financial management leadership and a reputation for meeting ever-increasing demands for better accountability and greater efficiency in the federal government. Most recently, the Department successfully implemented an off-the-shelf payroll system that integrates with its human resource system. This is the first such accomplishment among cabinet level agencies in recent years, and positions DOL well for providing 21st century-level service to its employees.

DOL has received an unqualified audit opinion on its Consolidated Financial Statements for the past five years. This year, the Department received its second consecutive Certificate of Excellence in Accountability Reporting (CEAR) from the Association of Government Accountants, recognizing the Department's accomplishments in the preparation, issuance and timeliness of Accountability Reports. This distinction is a significant accomplishment and honor for a federal agency and its management. This summer, DOL was the only cabinet agency to improve its base rating in financial management in the Office of Management and

Budget's mid-term review of agencies' efforts to meet the President's Management Agenda.

Early in his tenure at DOL, Mr. Mok faced the challenge of filling several key management voids left by retirements, early outs and career moves. Turning vacancies into opportunities, he hired a new professional management team and re-organized the entire OCFO within six months of taking office, without using any outside consultants.



*Samuel T. Mok
Chief Financial Officer
Department of Labor*

Management and Leadership Style

Mr. Mok practices an open, collegial management style that promotes a corporate culture which, in turn, encourages innovative and entrepreneurial problem solving. To become more efficient and effective, he notes that Government must not only accept risks, but manage them. He emphasizes two fundamental keys to mitigating risk and ensuring long-term business success: the ability to think out-of-the-box and daring to be innovative. He encourages his staff to accept risk and keep legal and ethical standards as the bottom line in their decisions.

His broad experience, which includes serving in the Foreign Service at the State Department, has taught him to negotiate and balance interests among parties. He believes that those who get along can achieve both mutual and disparate interests. With a focus on goal setting and follow-through, he sees time management as critical. Convinced that most meetings waste time, he has limited all OCFO meetings to succinct half hours; also, memos from staff must be to-the-point, one-pagers that pose solutions, not just convey problems.

In addition to hiring new managers, Mr. Mok has brought DOL's OCFO new thinking about human capital management. He points out that one of the characteristics of a successful, dynamic organization is the practice of cross training. Many Government experts have in-depth, but narrow knowledge of a subject. Like the proverbial frog in the well, such stove-pipe experts ultimately constrain an organization's ability to perceive problems and opportunities just over the horizon. Mr. Mok's matrix management will ultimately make the OCFO a more proactive organization that has both the breadth and the depth needed to ferret out problems early and resolve them with innovative solutions. To identify high performers among the current OCFO staff, he is continually assigning challenging special projects and details that test their ability to see the broader implications of their task and develop creative solutions.

The OCFO has traditionally had a low profile at DOL. Mr. Mok has established a "branding process" to promote the identity of the financial workforce at DOL. Using the same approach that a company uses to market its products, he has worked to develop a clear identity for the OCFO and uses all available outreach activities to promote that identity. Top OCFO staff wear a balloon-shaped lapel pin to remind themselves and people they meet of the OCFO's goal *to get the right information to the right people at the right time*. The balloon logo stems from a humorous story Mr. Mok likes to

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Effective November 2002, Federal Accounting Standards Advisory Board (FASAB) publications – including exposure drafts – will be available electronically. FASAB will continue to make exposure drafts available in hard copy upon request. You may sign up to FASAB electronic mailing list to receive (1) FASAB News, (2) meeting agendas, and (3) notices about new releases. The website address is www.fasab.gov.

Highlights from the October 2002 Board meeting are summarized below:

Consolidated Financial Statements of the US Government

The Board approved Statement of Federal Financial Accounting Standards 24, *Selected Standards for the Consolidated Financial Report of the United States Government*, and Statement of Federal Financial Accounting Concepts 4, *Intended Audience for the Consolidated Financial Report of the United States Government*. Both documents, dated October 21, 2002, have been sent to the FASAB principals, the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General, for a 90-day review period. If none of the principals objects to the documents, they will be posted to FASAB's web page for implementation on January 19, 2003. For more information, contact: Richard Fontenrose, 202-512-7358, fontenrose@fasab.gov, and Lucy Lomax, 202-512-7359, lomaxm@fasab.gov.

Reclassifying Stewardship Responsibilities and Eliminating the Current Services Assessment

FASAB reconfirmed its tentative decision that information about "risk assumed" should be reclassified as "required supplementary information" (RSI). The Board discussed whether to mandate use of OMB's *Midsession Review* current services estimates in lieu of the current services estimates published in the *President's Budget*. The Board concluded that the requirement to present the current services assessment should be eliminated.

Representatives of American Institute of Certified Public Accountants (AICPA) joined the Board to discuss issues regarding the audit of the Statement of Social Insurance, if it were classified as an integral part of the basic financial statements. For more information, contact: Robert Bramlett, 202-512-7355, bramlett@fasab.gov.

Dedicated Collections Project Fiduciary Activity

The staff presented a draft exposure draft (ED) as a framework for discussion fiduciary accounting. The objective of the proposed standard would be to provide accounting guidance for fiduciary activities that have a private purpose, and to differentiate them from other activity with a public purpose. In many cases, public purpose activities involve resources that are dedicated to a specific

Federal program that are accounted for in accounts designated "trust funds." This has resulted in a lack of clarity about how Federal trust funds differ from private trust funds and other Federal "funds," about the linkage between trust fund activity and Federal program expenditures, and about the relationship between trust fund accounting and the Federal Government's overall financial condition.

The proposed standard would provide additional accounting guidance regarding fiduciary activities. Current accounting standards do not address the universe of fiduciary activity, which includes both agency type activity and managing-trustee type activity. Most fiduciary activity, in terms of number of accounts, represents escrow or bailment activity. Such funds serve short-term goals, are generally not invested, and involve little management discretion. Managing-trustee activity, on the other hand, involves fewer accounts but significant amounts and difficult managerial challenges.

The Board reviewed parts of the draft ED. The Board approved the title, "Accounting for Fiduciary Activity," and directed the staff to: use the term "evidence of" fiduciary activity in place of "intent" or "manifest intent" to engagement in fiduciary activity, narrow the concept so the terms "fiduciary" and "trust" would be limited to the fiduciary activity addressed in the standard, and make other changes. The Board discussed the three methods for holding fiduciary assets presented by the staff: (1) commingled with the entity's cash, (2) not commingled, and (3) separate and apart from the entity. The Board will discuss fiduciary activity at its December meeting. Contact: Richard Fontenrose, 202-512-7358, fontenrose@fasab.gov.

Dedicated Collections

The Board decided that dedicated collections are less than a liability but represent an implied promise to the American citizens. The Board will consider requiring recognition of dedicated collections as a form of segregated equity. Additional disclosures similar to the ones currently required will still be addressed.

At its December meeting, the Board will discuss a new name for "dedicated collections," which collections are included, and whether a trust or special fund balance is a liability. It also will review illustrations of agency and governmentwide (consolidated financial report or CFR) balance sheets showing 1) fund balances as a liability, and 2) segregation of equity between "unexpensed earmarked revenues" and "unexpensed general fund revenues." Contact: Andrea Palmer, 202-512-7360, palmera@fasab.gov.

Intra-departmental Cost Interpretation

The Board continued discussing the intra-departmental cost draft interpretation. The Intra-departmental cost project relates to whether a component (of a department or larger reporting entity) is required to impute intra-departmental costs or if paragraph 110 of SFFAS 4

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Business Rules for Intragovernmental Transactions Issued by the Office of Management and Budget

After several years of effort, it is still not possible to effectively eliminate interdepartmental transactions for the consolidated U.S. Government Financial Statement, and reconciling intragovernmental transactions within many agencies remains problematic. For the most part, this complex problem had been approached in a fragmented way, with issues addressed individually rather than in an integrated fashion.

On October 4, 2002, the Office of Management and Budget took a major step in mitigating these issues with the issuance of business rules for intragovernmental transactions. Signed by Mitchell Daniels, Director of the Office of Management and Budget, the Memorandum (M-03-01) provides standards for currently disparate business practices and widely divergent data structures that have contributed to significant transaction differences. A copy of M-03-01, Intragovernmental Business Rules, is available via the internet at www.omb.gov.

The exchange rules, listed in Attachment A to M-03-01, address process flows and data standards for intragovernmental exchange activities. One of the new rules, for example, requires trading partners to obtain and use a Dun & Bradstreet Data Universal Numbering System (DUNS) number as the business location identifier. The DUNS number will represent the Federal standard for tracking and identifying Departments, Agencies, and Federal Organizations. This unique nine-digit code is currently used by industry to identify and link more than 60 million companies worldwide. It is expected that agencies will have a DUNS number for each major component and ideally each regional or field location associated with a major component. The hierarchical roll-up capability of the DUNS number makes it possible for agencies to identify business partners below the departmental level and to identify and eliminate intra-departmental transactions as well. These rules will be effective on January 1, 2003, unless otherwise specified, and will be effective on a "go forward" basis, which means that it will not be necessary to retroactively augment existing intragovernmental orders.

The process rules are modeled after the simplified acquisition process – order, acceptance, and payment. Both parties will now be required to use a common reference number, the buyer's intragovernmental order number. This reference number must be included on the seller's invoice so that the buyer can "match" the

invoice to the order. The buying agency is required to record obligations upon acceptance of the order by the seller. This matching process will help streamline the acceptance and payment process and should reduce the number of payment disputes. The new rules also put limitations on advance payments and require status reporting on advances.

The intragovernmental data architecture is comprised of those data elements that are essential to order fulfillment and settlement as well as the associated financial recording and reporting processes. A minimum set of these data elements will be required as Federal agencies must "associate" these elements with every intragovernmental order. Ultimately, this enhancement will drive the Government towards an electronic means for managing these transactions and standardization will make it easier for agencies to migrate to the planned electronic intragovernmental business portal. We intended to move to an electronic portal in October 2003. This is a very aggressive schedule and as such we expect agencies to either modify their systems or develop other means of meeting this requirement.

In addition, Treasury's Financial Management Service (FMS) is working to harmonize the data requirements of its Intragovernmental Payments and Collections (IPAC) system with the newly defined intragovernmental data architecture.

The second set of rules, Attachment B to M-03-01, pertains to certain fiduciary transactions and recordings. While the rules require that fiduciary information be made available more timely, the rules also include changes that will more closely align the accounting practices of the Bureau of Public Debt (BPD) and its trading partners. The fiduciary rules are effective on October 1, 2003. These rules will standardize the use of the straight-line method of amortization and first-in/first-out method of inventory redemption; and will require the use of actual payroll data for calculating the imputed cost of certain future retirement benefits.

For more information, contact Janet McBride by email at Janet.A.McBride@omb.eop.gov or at (202) 456-2709. □



Human Resource Flexibilities

As part of a JFMIP project on financial management human capital issues, the study team has collected information to assist agencies in using human resources (HR) practices to recruit, retain and develop their workforce. This article highlights some of these HR flexibilities agencies may use to remain competitive in attracting and retaining talented highly motivated individuals.

Typically, managers have focused primarily on compensation limitation as a basis for the difficulty encountered when attempting to attract and retain talented highly motivated personnel. However, research has indicated that compensation (pay) was the least important reason cited by the general public as to why they agree to work for or continue working for a particular organization. When asked the question regarding why employees either were attracted to or remained with a company, the responses were: career growth, exciting and challenging work, significant contributions, part of a team, stellar leadership, recognition for accomplishments, flexible work hours and work environment, fair pay, and benefits. The majority of these responses are currently available for implementation by Federal agencies. The cost to use these HR flexibilities is relatively low. In addition, agencies need to do a better job in marketing Federal agency's overall mission to attract well-qualified people for challenging jobs at this time.

The following HR flexibilities are addressed in these areas: Recruitment, Staffing, Compensation, Employee Development/ Training and Work Arrangements/Work Life Policies.

RECRUITMENT

- Currently, the federal government uses a straight forward and in certain instances, pessimistic approach to advertising employment opportunities to the general public. Examples of negative advertisement would be "Promotional potential – None." Federal agencies must recognize their potential to gain the attention of prospective applicants begins with innovative *marketing* of their mission, work environment, benefits, etc.
- The application process has also been identified as a chaotic experience. Various automation tools (COTS) are used by agencies to *streamline the process* in order to avoid losing the desired applicant due to the convoluted process of submitting numerous lengthy forms and rarely receiving any follow up communication regarding the status or possible completion of the analysis period.
- Contracting for the HR services is another alternative available to the federal sector. Whether the determination is to use an inter-government contract or outsource to private industry, the use of alternative HR resources has prompted many agencies to follow this alternative to expedite the recruitment process.

STAFFING

Agencies have the authority to use alternative staffing options for both short- term and long-term appointments.

Short Term Appointments

- Non-competitive temporary appointments that exceeds 60 days permits agencies to place a 30 percent or more disabled veteran who has retired from active military service, or rated by the Department of Veterans Affairs (VA) within the preceding year as having a service connected disability of 30 percent or more. There is no grade level limitation for this appointment; however, the applicant must meet **all** qualification requirements. The agency may also convert the employee, without a break in service, to a career or career-conditional appointment at any time during the initial temporary appointment.
- Veterans Readjustment Appointment allows placement of a veteran to an excepted appointment in the competitive service up through the GS-11 or equivalent level
- Term Appointments permit again to fill vacancies for 1 to 4 years, when the need for the employee's talent or services is not to exceed the length of the assignment. Appointments of this magnitude may involve special projects, extraordinary workloads, reorganizations, etc. Placement in these positions is attained through the competitive process.

Long-Term Appointments (non-traditional)

- Career Intern programs allow agencies the flexibility to use initial two-year appointments with the option to automatically convert the employee to a permanent position in order to attract exceptional individuals into a variety of occupations. Entry-level grades for these appointments began at the GS-5, 7, or GS 9 level.
- Veteran Employment Opportunities Act allows the agency to place eligible veterans, who apply under merit promotions procedures, on career or career appointments, provided the applicant meets the job qualification requirements as well.
- Veteran Readjustment Appointment allows the agency to place the veteran on an excepted appointment up to the GS-11 or equivalent pay level without competition. The veteran must meet specific military service requirements as well as applicable job qualification requirements. Satisfactory completion of two consecutive years under this appointment also permits the agency to convert the original appointment to a career or career-conditional appointment.
- Student Educational Employment Program allows agencies to place graduate or undergraduate students on an excepted service appointment. Specifically, the student career experience program (SCEP) permits the original appointment's conversion to a non-competitively career/career-conditional appointment within 120 days of the academic requirement completion. Further, the agency may offer tuition assistance to attract students to accept employment with them.

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FINANCIAL MANAGEMENT PROFILE

Background

In December 1999, Donald McCrory became the Deputy Chief Financial Officer (CFO) at the National Science Foundation (NSF). As Deputy CFO, he directs the Financial Management Division that includes internal and external accounting, grantee accounting for 20,000 active grants, payroll for the entire agency of over 1,200 employees, overseeing the financial statement audit and ensuring that audit processes go through this Division. He leads the Foundation's electronic financial management initiatives for the accounting, payroll, travel, and grants activities.

Mr. McCrory joined the NSF in October 1997 as the Chief of Accounting Operations. While serving as Chief of Accounting Operations, he was instrumental in managing the NSF to its first ever unqualified financial audit opinion. Under his guidance the first seamless payroll system was adopted at NSF.

Systems/E-Government Committee

Responsibilities external to the NSF include chairing the Systems/E-Government Committee of the CFO Council. He chaired the committee through October 2002. Mr. McCrory feels it prudent to rotate leaderships on a regular basis. Regular rotation of a new chair brings new ideas to the committee and provides a leadership opportunity for more council members.

The objective of the committee is to improve financial systems so agencies can provide useful, complete, consistent, reliable, accurate and timely financial information. Ensuring financial systems interoperability with the other 24 e-government initiatives is another objective. The committee is working with the Office of Management and Budget (OMB) and the Department of the Treasury on several activities, including working with OMB on the development of performance metrics to help agencies comply with the Federal Financial Managers Integrity Act. In conjunction with OMB and Treasury, the committee is providing feedback on intragovernmental transactions and assisting with development of a policy to reconcile intragovernmental transactions.

President's Management Agenda

NSF is the only agency to receive a green rating on the baseline evaluation for financial management under the President's Management Agenda. This means that NSF's financial management systems meet federal financial management system requirements and has received unqualified and timely audit opinions (three consecutive years for NSF), with no material weaknesses or reportable conditions. According to McCrory, systems integration was a key to the Foundation meeting all core criteria for a green rating on the President's Management Agenda.

He believes that electronic reporting of grants without manually posting transactions is a related process that helped NSF receive a

green rating. Close to 100% of the 20,000 grant proposals received annually are submitted electronically. The grants application process is entirely web based. Grantees go into the FASTLANE system through a web browser to seek and apply for grant opportunities. All grant payments occur through electronic funds transfer.

In addition, the baseline evaluation took into account the Enterprise Information System (EIS) created by NSF that gives performance information to program managers on demand. The EIS is the Foundation's repository for Government Performance and Results Act performance information. The EIS provides real-time budget and performance information that is used by managers when making decisions. The system is based on a series of Excel spreadsheets. More government agencies are now tracking costs relative to programs; however, NSF was a forerunner in this area and developed the EIS to link program performance and budgetary cost.



*Donald G. McCrory
Deputy Chief Financial Officer
National Science Foundation*

Challenges

Some of the challenges Mr. McCrory anticipates NSF will encounter when pursuing the improved financial performance initiative in the President's Management Agenda are:

- keeping the green rating as new requirements are established and the agency grows,
- managing a larger budget due to escalating complex program activities and infrastructure projects; the Foundation's budget increased more than 80 percent over the past decade,
- managing financial information for programs.

In his opinion, having systems that generate timely and accurate financial information is crucial for agencies to get a green rating. Some agencies started with sound infrastructure and technology to support financial information management within the organization. Other agencies are still struggling with getting the right systems to manage financial information. With most of these agencies, the major issue stems from customizing commercial off-the-shelf solutions. Mr. McCrory's recommendation to these agencies is to consider changes to business processes before changing software to lower system migration risk.

Financial Managers & Financial Management

The CFO Fellows program is a good tool for identifying leaders in financial management. He thinks that financial managers should be encouraged to complete the Certified Government Financial Manager (CGFM) certificate program and Certified Public Accountant (CPA) certifications for professional development. The Office of Personnel Management is exploring innovative human capital strategies to enhance opportunities for financial managers and to help recruit and retain these employees throughout government. To effectively manage the human capital crisis, he feels it is important that managers and human resources departments be given flexibility to make selections and promotions

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A Joint Perspective

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Finally, a white paper on data conversion was developed because agencies have told us that this is an area that is consistently underestimated in its difficulty, cost, and risk to a successful project. The analysis presented in an exposure draft reflects pooled knowledge of project managers who successfully implemented new financial systems, insights of talented analysts in GAO, and help from private sector experts who do this business for a living. JFMIP welcomes comments and reactions (good or critical) whether this white paper helps fill the knowledge gap for agencies facing the data conversion challenge.

Core Financial System Testing and Qualification Process

A major JFMIP undertaking during the past year was the preparation for the second full cycle of the core financial system testing and qualification process. The test is designed to generate objective evidence that a FMS application can provide all functionality defined as mandatory in the Core Financial System Requirements document. JFMIP issues a certificate of compliance, which is valid for three years, to vendor software versions that pass 100 percent of the functional test steps. If major changes in government requirements occur during that 3-year period, JFMIP develops an incremental test that the vendor must pass to retain the certificate. The desired outcome is to ensure that minimum mandatory federal functionality and vendor offerings remain aligned reducing the need to customize software at initial implementation and during version upgrades. The strategy was expected to reduce life cycle cost of core financial system by at least 20 percent. The JFMIP process was expected to reduce the need for customization of core financial system software by 80 percent.

JFMIP initiated this process starting in 1999. To date, 27 software tests have been conducted. Currently there are 9 software versions from 6 commercial vendors and the Department of Interior National Business Center that hold valid certificates based on the test of Core Financial System Requirements document issued in 1999. All the products had to improve baseline

functionality to pass. In 2000 we conducted an incremental test of the FACT II functionality (among other items) to ensure agencies could meet the newly established reporting requirements. JFMIP worked closely with Treasury Financial Management Service (FMS) to verify that the expected results for the incremental test were accurate. As part of validating test results, JFMIP helped Treasury FMS to debug and discover issues with the program logic underlying the FACTS II testing and production environments. The outcome benefited Treasury, reporting agencies and vendors in achieving automated reporting environment. According to Treasury FMS, initial results on FACTS II reporting in 2002 were that: 96% of agencies submitted reports through FACTS II; approximately 60% of those submissions were through the bulk file reporting option (system generated feeds); 85% of the bulk file reporting was conducted by agencies using JFMIP qualified software. This comparatively rapid availability of new system functionality to support the exchange of information between agencies and central agency operations is one way to measure that the JFMIP process produces desired results.

While the 1999 process resulted in software improvements, we knew that more improvements were merited. We had good evidence based on discussions with agencies that were implementing tested software and based on our own test work papers. Finally, as is the course of government, the baseline requirements continued to evolve reflecting changing laws and policies. The second three-year cycle of the core financial system testing process commences in FY 2002 and incorporates the lessons learned in the first cycle. Updated Core Financial System Requirements was issued in November 2001 to incorporate new laws, clarify requirements identified by agencies and past testing efforts as needing improvement, and filled in functionality gaps (including significant strengthening of reporting functionality) that were universally needed by agencies to be successful. The new test was finalized on September 13, 2002. Existing certificates were extended until March 31, 2003 in order that vendors have an opportunity to make

software enhancements necessary to meet requirements. The objective is to have vendors incorporate the functionality into their baseline product provide software that meets government needs.

The JFMIP testing and qualification process focuses quality assurance at the point where agencies acquire new systems and major version upgrades. Basically, it is much less expensive to address functional needs in system design than after a system is installed. Life cycle costing research for information technology implementations (Collard, Ross: Software testing and Quality Assurance (1997)) indicates detection of a defect early in the life cycle, such as at the user requirements definition stage, costs between \$100 - \$1000 to correct. In contrast, if the defect is not detected until after implementation has begun, the correction cost skyrockets to anywhere from \$100,000 up to \$1 million. The JFMIP requirements and testing processes are designed to eliminate errors in the beginning of the life cycle. However, just because a new tested version of software for a specific vendor is available does not mean that an agency should automatically buy that new version. Agencies decisions about system investments must be based upon the agency business case in the context of their enterprise architecture. JFMIP testing of vendor software versions should not be confused with a mandated migration path.

Also, JFMIP core financial system testing process is no panacea. Selecting and implementing new administrative systems is still difficult and expensive. While the JFMIP testing strategy reduces risk for all, it is not a "magic bullet" that that removes all obstacles to system implementation success. Agencies still need senior leadership commitment, skilled project management, clear understanding of business goals and needs, and still have to go through the "nitty gritty" details of configuration, data conversion, acceptance testing, independent validation and verification (IVV), business process reengineering, and training of the work force. Central testing for functionality by JFMIP is a leveraged processes that removes one step that all agencies would have to undertake, but to be successful

agencies still have to undertake aggressive acceptance, operational, and independent validation and verification testing when installing a new application or upgrading a version.

As we move into the second iteration of testing COTS software packages, it is an appropriate time to assess the value of the JFMIP testing processes to make a determination if they are meeting expectations, and gain a fuller understanding of the factors critical to successful system implementation. The outcome of this assessment will help shape future efforts.

Human Resources


JFMIP works with the Human Capital Committee of the CFO Council on various initiatives to improve the recruitment, retention and development of the federal financial work force. During the past year, a final study report on *Building the Work Force Capacity to Successfully Implement Financial Management Systems* was posted on JFMIP's website in March 2002. This report contains strategies to improve the financial system work force to implement financial systems more successfully.

JFMIP continues its efforts to assess financial management human resources needs in an era of process, systems, and expectations. This effort is building upon research undertaken by many agencies and organizations. I would like to thank the Private Sector Council for partnering with JFMIP in September to conduct a forum to surface common issues and highlight financial management human capital best practices. Highlights are summarized in this issue of the *JFMIP News*. I would also like to thank the Logistics Management Institute (LMI) for independently conducting a research development project to advance its knowledge and understanding of the federal financial management work force planning in the federal government and sharing the results with federal government executives. LMI's analysis of demographic data created a profile and projected the federal financial management work force under a variety of scenarios. These contributions provide valuable information for the larger study JFMIP study of financial management human capital.

Outreach and Knowledgebase

JFMIP is moving to take fuller advantage of electronic distribution of information in the future. All the requirements, test materials, and expanded road map materials are on the JFMIP website at www.jfmip.gov. Judging from the increasing website traffic information usage is growing. We are always interested in feedback on how to share information more effectively and what efforts best support federal efforts to improve financial management. We conducted a survey of CFO organizations to identify needs and have responded by working with GSA and OMB to expand the availability of information from the annual Financial Management Survey. The survey also helped inform our future efforts to identify metrics on implemented COTS packages. Our major outreach effort will be the JFMIP Annual Conference on March 11, 2003. Please mark your calendars and plan to join us. The theme will be "The President's Management Agenda—Transforming Federal Management."

Looking to the Future

The recent efforts of the JFMIP staff focused on efforts to standardize and communicate financial system functional requirements as well as other special studies on intragovernmental transactions and payroll initiatives; helping agencies manage risk in implementing new core financial systems through testing vendor software applications, and communicating financial management human capital needs through competency documents and other analysis. What lies ahead? The major themes impacting across government are acceleration of financial processes, including the production of annual financial statements, integrating budget and performance, and making financial information more important to program managers by delivering cost information that informs future decisions. In order to achieve this future state, the underlying processes have to produce timely, reliable, accurate information. There is still work to be done in achieving the underlying systems and process environment that is capable of supporting the new state. But as this work is done, the focus will shift more to analysis and the decision making power of the information. 

FASAB

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limits such recognition. Intra-departmental imputed costs are the unreimbursed portion of the full costs of goods and services provided by other components or responsibility segments within the same department or larger reporting entity.

The FASAB staff presented for the Board's review a pre-ballot Exposure Draft. The draft interpretation had been updated to address comments from the August Board meeting. Major revisions included clarifying that the interpretation was specific to imputed costs; using simpler terminology (no longer including 'inter-entity' after the terms inter-departmental and intra-departmental); providing definitions and examples for imputed intra-departmental costs and inter-departmental costs; adding language regarding recognition criteria; clarifying reporting disclosures; and illustrating the inter/intra departmental relationships with a chart.

At the meeting, the Board provided input and comments on the pre-ballot Exposure Draft. The major revision was to clarify that paragraph 110 of SFFAS 4 does not specifically prohibit recognition of imputed costs. However, paragraph 110, when considered in conjunction with OMB guidance in Bulletin 01-09, *Form and Content of Agency Financial Statements*, Section 4.3, paragraph 2, limits the recognition of inter-entity costs to specific costs. The Board agreed that the interpretation should be clarified. Additionally, wording within the exposure draft interpretation will be revised to remove language that speaks to paragraph 110 as 'prohibiting or precluding.' The Exposure Draft is expected to be issued in November. Contact: Melissa Loughan, 202-512-5976, loughanm@fasab.gov.

Natural Resources Project

FASAB has revived the Natural Resources project. In June, the FASAB staff and the Natural Resources Task Force, chaired by R. Schuyler Leshner, Department of the Interior, had presented a Discussion Paper. At this meeting, staff solicited Board input on the following items:

- project objective
- project scope
- project plan
- initial project issues

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JFMIP Framework to Align with the Federal Enterprise Architecture

An interagency working group, led by R. Schuyler Leshner, Deputy Chief Financial Officer, Department of the Interior, and John Gilligan, Chief Information Officer (CIO) of the Department of the Air Force, is updating the *JFMIP Framework for Federal Financial Systems*. Since the Framework document was issued in 1995, technology and implementation practices have evolved, especially with recent Chief Information Officers (CIO) Council and IT community efforts to develop the Federal Enterprise Architecture.

The Framework document is the foundation for the remaining Financial Management Systems Requirements (FFMSR) portfolio. The Framework document is unique, as it describes the contextual framework within which all financial management systems interrelate both internally and externally to government-

wide financial and non-financial systems to achieve the desired characteristics, performance, and results.

The increasing pervasiveness of financial management has created a greater need for collaboration among a much broader audience. Financial management systems support mission performance at all levels within agencies and throughout the federal government. At the same time, financial systems planning, acquisition and operation must fit within the broader investment planning and control framework. To be successful, there must be effective partnerships among the CFOs, CIOs and other program and administrative executives. The Framework document helps foster those relationships.

While the new Framework will still be the foundation document for JFMIP

FFMSRs, it will also be the financial management segment of the Federal Enterprise Architecture and will align with the Federal Enterprise Architecture Framework and other government-wide efforts. The revised JFMIP Framework document will meet objectives for both CFO and CIO communities.

From an architectural perspective, the new Framework primarily addresses the business and information levels of the financial management segment. There will be less focus on the data and applications. It provides broad direction at the technology level but does not concentrate on specific systems or technologies and is intended to complement but not replace other enterprise architecture efforts.

For more information, contact Bruce Turner, email bruce.turner@gsa.gov or call 202/219-0533.

Samuel T. Mok

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tell about a man flying in a hot air balloon who becomes lost. The balloonist solicits help in determining his whereabouts from a man standing on the ground, who just happens to be an accountant. The accountant tells the balloonist how high he is in the air. Although the information is precise and accurate, it is also perfectly useless for the balloonist's needs. Mr. Mok is also quick to point out, however, that it took an accountant to catch Al Capone.

Vision

Just as the unarmed London police Bobby must exercise authority through persuasion, Mr. Mok sees himself as the head of an organization that must ultimately facilitate compliance rather than enforce it. He shares his vision on the changes necessary to turn a traditional, process-oriented financial workforce into a valued,

proactive management partner with an analogy of two pyramids. The first pyramid is banded by layers showing a workforce spending 60% of its efforts on transaction processing, 20% on reporting activities, 10% on internal control, and 10% on decision support. By leveraging technology, such as single point data entry, he envisions a new pyramid where the 21st century financial workforce spends 20% of its time on transactions, 10% on reporting, 20% on internal control, 45% on decision support and 5% on decision rendering.

Mr. Mok concurs with the President's Management Agenda that timely, accurate and useful financial information must underpin any efforts to make the Government more performance oriented. He envisions a day when financial statements are not only understood by top managers, but also serve to guide efforts to make their programs more efficient and effective. He would like to position the OCFO beyond monitoring efforts to remediate findings by the General Accounting Office and the Department's Inspector General, to validating the remediations. More importantly, he envisions an organization with the early

warning skills and capabilities to identify and correct anomalies before they become serious problems. He has begun to lay the foundation for such advanced customer support by establishing among his management staff a desk officer concept modeled after the State Department. OCFO's desk officers will provide each DOL agency a single point of contact for financial management matters under the aegis of the OCFO.

Mr. Mok's vision also extends beyond making the Department of Labor's Office of the Chief Financial Officer a center of excellence. A government-wide pool of talented, well-trained financial professionals is needed to leverage 21st century technology advances. This calls for a federal financial management training academy that awards a degree or certificate of competency. Setting a high level and measurable standard of education would eliminate redundancy and reduce cost. But foremost, it would develop a sustained cadre of financial management professionals capable of getting *the right information to the right people at the right time.* □

Donald G. McCrory

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quickly. Equally important is to make it easier for employees to take advantage of training, cross-training, and rotational assignment opportunities.

As the integrity of financial data improves, organizations will have a more accurate picture of their financial position. When clean opinions become pervasive in government, the focus of financial managers must then become evaluating the value of cost in an organization to determine what increases or reductions are appropriate. Mr. McCrory would also encourage shifting the focus away from oversight and toward providing advisory services. Technological improvements will increase reliability, which in turn will free financial managers to function more like business advisors.

The financial manager's role is to help leaders determine if incremental improvements would provide benefits to citizens and identify the associated costs.

Currently, strategic planning, performance planning, performance reporting, and audit opinions occur in separate environments. Planning, budgeting and accounting must be coordinated up front for managers to be effective in an advisory role. NSF is working toward production of a single report that would include an explanation of current budget requests, how the previous budget was used, a plan for the next year and an assessment of performance.

Through its external committee of visitor's assessments, NSF evaluates performance goals in light of results. This format was chosen because the results of science and research grants are not known for quite some time after the grants have been awarded. OMB approved the NSF format of using external expert reviews to assess research results and report research outcome goals.

The committee conducts post peer review assessments of the grant research outcomes and provides a third party review of the results of grant impacts.

Agency leaders are beginning to realize the value of monitoring and evaluating the financial information that supports programs. Once systems improve, they become a major tool that managers can utilize to make organizations more accountable. Having sound technology and infrastructure allows agencies to build credibility. Mr. McCrory warns that without sound management, organizations will lack credibility. □

U.S. Department of Education Establishes Accounting Integrity Board

In order to upgrade accounting policy and improve the quality and reliability of accounting data, the U.S. Department of Education established an Accounting Integrity Board (AIB) in March 2002. Sponsored by the Deputy Chief Financial Officer (CFO), the AIB is empowered to identify and review important accounting issues, conduct research, and make accounting policy recommendations to the Director of Education's Financial Management Operations. Board recommendations are formulated to ensure compliance with generally accepted accounting standards and principles for the Federal government, U.S Treasury Department accounting and reporting requirements, Office of Management and Budget circulars and bulletins, and relevant legislation addressing Federal financial management and reporting.

The AIB is responsible for:

- 1) Identifying current accounting issues and scheduling them for review;

- 2) Conducting comprehensive reviews of accounting issues that impact the efficient and effective administration of the Department's financial management function; and
- 3) Formulating recommendations that support the objective of obtaining and maintaining an unqualified audit opinion on the Department's financial statements.

The Board meets at least once a month. Sub-committees that are led by a Board member complete most of the research and review. The sub-committees document work in issue papers that become the basis for recommendations considered by the full Board. Board decisions are reached by a majority vote. The AIB recommendations are subject to the approval of the Department's Accounting Officer.

The AIB is comprised of ten members including a Chairperson and three members each from the Department's Office of the CFO, Budget Service, and Office of Federal Student Aid. The members of the Board

represent an extensive range of knowledge and experience. Collectively, AIB members have over 206 years of experience in financial management, ten bachelors' degrees, and four advanced degrees. The members hold a total of eleven certifications as Certified Public Accountants, Certified Government Financial Managers, and Certified Internal Auditors. Additionally, individuals with technical expertise on topics being reviewed by the Board may participate on sub-committees and in AIB meetings as non-voting advisors.

For the seven months ending September 30, 2002, the Board reviewed 37 issues and made recommendations that impact approximately 300 types of accounting transactions. During fiscal year 2003 the AIB will expand the scope of review to sub-accounts. The Board will also review object classes to support improvements in cost accounting for the Department. For more information, contact James Evans via email James.Evans@ed.gov. □

Human Resource Flexibilities

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Modify or Waive Qualification requirements permit the agency to waive minimum qualification (but not education) for placement in a position in order to retain talented employees who demonstrate the talent, capacity, or special skills needed to perform the duties of the position.

Agency-Based Compensation Authorities

OPM has permitted agencies the authority to offer additional direct compensation in support of their recruitment efforts to attract talented individuals as well as retain high performing personnel. The following information summarizes some of these compensation flexibilities

Recruitment bonuses of up to 25 percent of basic pay may be offered to a newly appointed employee to fill a position that would otherwise be difficult to fill. In return, the employee must sign a service agreement of at least 6 months with the gaining agency. A recruitment bonus may be used in combination with superior qualifications appointments and may be paid to employees in positions covered by a special rate. These bonuses must be paid in accordance with the agency's bonus plan.

Retention allowances paid by agencies can total up to 25 percent of their basic pay and up to 10 percent of the basic pay to a group or category of employees. The agencies must determine that the unusually high or unique qualifications of the employees or a special need of the agency for the employees' services makes it essential to retain the employee. The agency must also demonstrate the probability of the employee(s) departure from the agency would happen unless a retention allowance is authorized.

Superior qualifications and special qualifications appointments permit federal agencies to set pay for new appointments or reappointments of

individuals to General Schedule (GS) positions above step 1 of the grade based on superior qualifications for the candidate or special need of the agency. Agencies must provide documentation and maintain policies and procedures used to make superior qualifications or special qualifications appointments.

- Highest previous rate is allowed when agencies elect to reemploy, promote, or change the type of appointment of an individual. Agencies may set the rate of basic pay of an employee by considering the rate of basic pay previously received by the individual while employed in another federal position.
- Special Rates may be established by OPM for an occupation or group of occupations nationwide or a local area based on evidence that the agency's recruitment or retention efforts are or probably would become significantly handicapped without those higher rates. The minimum rate of a special rate range may exceed the maximum rate of the corresponding grade as much as 30 percent. (Note. No special rate may exceed the rate for Executive Level V.) A special rate must be submitted to OPM by the agency headquarters as well as coordinated with other federal agencies that have employees in the same occupational group and geographic area.
- Critical Position Pay Authority is authorized based on a recommendation from OPM, and the office of Management and Budget (OMB) in order to increase the rate of basic pay for a position subject to the limitation of pay (combined salary should not exceed the rate equal to the Level 1 of the Executive Pay Schedule on the last day of that calendar year).

Employee Development and Training

- Federal Student Loan Repayment programs permit agencies to repay the student loans of Federal employees in order to attract or retain highly qualified

individuals. Agencies may set up their own loan repayment program and repay federally insured student loans as a recruitment or retention incentive for candidates or current employees. Students must sign a service agreement to remain in the agency for a minimum of three years.

- Training and Education expenses may be paid from appropriated funds or other available funds. Program funds should be used to pay for training needed to support the mission of the office or program functions. Expenses of training include the cost of tuition, purchase or rental of books, materials and supplies, library and lab fees, and travel per diem and relocation expenses.
- Training and Education expenses may be paid in advance for approved training and education. Expenses of training include the cost of tuition, purchase or rental of books, materials and supplies, library and lab fees, and travel per diem and relocation expenses.
- Professional Organizations membership fees for an agency may be paid when the professional, scientific, and technological information provided by the association to their members is included in a registration fee for a conference or meeting. If the agency pays the registration fees, the employee's membership in the association is an incidental by-product of attending the meeting or conference. The employee is expected to use the information gained through the membership to a professional, scientific, or technical organization for the augmentation of the organization.
- Academic degrees expenses normally may not be paid by an agency. However, to recruit or retain employees in shortage or critical skill occupations, agencies may pay for education that leads to an academic degree. A shortage or critical skill occupation is an occupation for which an agency has authority to pay recruitment bonuses or retention allowances in order to attract or retain qualified people. Merit system principles apply to announce-

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ing academic degree programs and selecting candidates for them.

Work Arrangements & Work Life Policies

- Alternative work schedules include:

Flexible work schedules (FWS) permit an employee to complete the basic 80-hour biweekly work requirement in less than 10 workdays. An employee may elect to earn credit hours for working hours in excess of the employee's basic work requirement (i.e. 40 hours a week). FWS consist of workdays composed of core hours and flexible hours. An agency's FWS plan may permit employees to earn credit hours. An employee may use earned credit hours to take time off and vary the length of a workweek or a workday.

Compressed work schedules allow the employee to select a fixed work schedule that enables them to complete the basic 80-hour biweekly work requirement in less than 10 workdays.

- Telecommuting allows the employee to work at home or at another approved location away from the regular office. A telecenter is a multi-agency facility that provides a geographically convenient office setting as an alternative to the employee's main office. A telecenter can also serve as an administrative support center for employees working at home.
- Subsidized Transportation is offered to qualified employees a transportation fringe benefit program that includes the option to exclude from taxable income employee commuting costs incurred through the use of employees transit passes in amounts approximately equal to employee commuting costs not to exceed the maximum level allowed by law.

For additional information, please go to the Office of Personnel Management's web site, www.opm.gov. □

Focus on Financial Management Human Capital Issues

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G. Thomas Welsh, Assistant Treasurer at PPG Industries, Inc. discussed the transformation of their finance function to a smaller more highly professional organization that provides analysis and business advice. The potential for outsourcing of transaction processing is being continually evaluated. The organization's workforce has evolved from transaction-based to analytical competencies. Some of their challenges include employee development, diversity and mobility.

The forum participants discussed issues and strategies related to 1) setting the vision and direction; 2) recruiting, retaining and motivating quality employees; and 3) outsourcing.

Setting the Vision and Direction

The private sector corporate financial management functions have become more professional, streamlined, consolidated, and automated in the transition from transaction based processors to decision based information managers as valued business advisors. The number of financial personnel have been reduced through automation or outsourcing of low value processes, while the skills of financial personnel have increased with well-rounded competencies in many areas achieved through rotational assignments in multiple key organizations and functions.

To properly set the vision and direction agencies should focus on the following:

- Define the critical competencies needed in the financial management workforce of the future, including both technical (such as certifications such as CPA or MBA) and behavioral (drive to succeed, integrity, teamwork, leadership, ability to deal with risk, creative thinking).
- Identify competencies that are consistent with the core values of the organizations.
- The HR organization should work as a business partner with program managers.

Recruiting, Retaining and Motivating Employees

Candidates entering the workforce in the private sector companies consider these factors when being recruited: 1) how the organization fits with the candidate's personal culture and lifestyle; and 2) what development opportunities the organization provides. The participants then discussed many factors that are important in the recruitment, retention and motivation of employees. Some of the recommendations include:

- Effectively market the organization's mission.
- Communicate employment opportunities with positive language.
- Tie performance to standards and measures consistent with the organization's mission and goals, and reward performance accordingly.
- Provide development opportunities through job rotations, mobility and continuous development of training programs related to acquiring new competencies.

Outsourcing

Many world-class private companies utilize outsourcing to perform lower level tasks better and at less cost than in-house performance depending on the needs of the organization. Suggestions offered by the private sector include:

- The financial workforce should focus on decision support analysis working as a business partner with line organizations.
- Before outsourcing, evaluate current practices and reengineer them to gain the most benefit.

Additional highlights from this forum are posted on the JFMIP website, www.jfmip.gov. For more information on this project, please contact doris.chew@gsa.gov. □

JFMIP 32nd Annual Financial Management Conference



“The President’s Management Agenda-Transforming Federal Management.”

Tuesday, March 11, 2003 at the Washington Hilton and Towers
1919 Connecticut Avenue NW in Washington, DC.
The cost of this one-day conference is \$150.

<http://www.jfmip.gov>

JFMIP Updating Inventory System Requirements

Periodically, JFMIP reviews previously issued system requirements documents to ensure that they comply with current legislation and regulation. A task force is reviewing one of these documents, the *Inventory System Requirements* document, which was originally issued in June 1995. Ms. Robin Quinlan from the Department of Defense (DoD) is the project sponsor and is leading the interagency task force. Elvon Lloyd, also from DoD, is the project manager.

A kick-off meeting of the task force for civilian agencies was held on September 12, 2002. The kick-off meeting for Defense agencies was held on October 3, 2002. The task force established

two working groups: 1) to study legislative and regulatory changes that have transpired since the original document was issued in 1995, and 2) to study the format for the document and make a recommendation to the task force. Each group is meeting periodically to accomplish its objectives.

The task force will determine mandatory requirements for an inventory system. It will also consider value-added functionalities for an inventory system. The outcome is expected to facilitate the development of commercial off-the-shelf (COTS) products. For additional information, contact Elvon Lloyd at elvon.lloyd@gsa.gov or (202) 219-0532. □



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Some of the major issues discussed focused on 1) the conditions and manner under which an item would be valued, quantified, and reported, and 2) whether natural resources information should be reported as Required Supplementary Stewardship Information (RSSI), which the Board is considering eliminating, or Required Supplementary Information (RSI). The progress on the project will depend on the amount and type of data available for each category, the ability to determine what is measurable and recognizable, and how the categories will be classified. For example, it was noted that FASAB has only a "working definition" of assets from SFFAS 6 so it may be difficult to answer the question whether natural resources are assets.

Board members were asked to provide comments to staff on the issues presented and on the recommendations made by the task force in the June 2000 discussion paper. Contacts: Monica Valentine, 202-512-7362, valentinem@fasab.gov and Rick Wascak, 202-512-7355, wascakr@fasab.gov.

Department of Defense Provides Progress Briefing

In June, representatives of the Department of Defense had briefed the Board on initiatives at the Department for implementing accounting and reporting on military equipment. At the October Board meeting, representatives provided an update concerning the early implementation of the property, plant, and equipment accounting standard. One "pilot" acquisition program had been selected from each Military Department: the Paladin from the Army, the DDG-51 from the Navy, and the F-15 from the Air Force. The pilot programs are being valued and reported in the Department of Defense's FY 2002 financial statements. In April 2002, Team IBM was awarded a contract for the Department's financial management enterprise architecture project, and in September, a "strawman" of the "To Be" architecture was delivered on schedule. For more information, contact: Rick Wascak, 202-512-7355, wascakr@fasab.gov. □

Next FASAB Meeting:

December 11 and 12, 2002
To obtain information on the agenda, please go to
www.fasab.gov

Last Printed Issue of JFMIP News

This is your last printed version of *JFMIP News*, since all of JFMIP publications will be available through the Internet effective January 1, 2003. JFMIP is adopting this more efficient way to distribute our documents to the financial management community and wanted to take full advantage of technology. All current subscribers will receive a postcard notification of this change.

JFMIP established a Web form to subscribe to JFMIP email list that will notify all subscribers when new publications are available. In addition to the newsletters, other JFMIP documents include exposure drafts, final documents of system requirements, core system test, human capital issues and white papers.

If you do not have Internet access, please contact us at (202) 219-0526 or by fax at (202) 219-0549 or mail to:

JFMIP
Attn: Donna Tebeau, Suite 430
1990 K Street NW
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The JFMIP mailing list will be a 'send only' list used to distribute information about JFMIP documents, open houses or meetings, and conferences to interested parties. Messages will be sent to distribute newsletters, announce publications, conferences, open house forums and meetings on a timely basis.

You can join the list through the icon on the JFMIP home page at:

<http://www.jfmip.gov>



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March 11, 2003
**JFMIP 32nd
Annual
Financial
Management
Conference**

The President's
Management Agenda-
Transforming Federal
Management

Contributors to this Issue:

Karen Cleary Alderman JFMIP
Stephen Balsam JFMIP
Mark Carney Education
Sally Clark Education
Wendy Comes FASAB
Dan Costello JFMIP
James Evans Education
Steve Fisher JFMIP
Susan Johnson LMI
Joseph Kull OMB
Elvon Lloyd DoD
Lucy Lomax FASAB
Janet McBride JFMIP
Donald McCrory NSF
Gail McFadden-Roberts FTA (EPP)
Samuel Mok Labor
Christian Obineme USDA (EPP)
Karen Shaffer OMB
Bruce Turner JFMIP
GraTheryn Weston State (EPP)
Jerry Williams OMB
Sandra Williams EPA (EPP)
Harvey Wong DOE (EPP)

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Icon](#) on our home page or
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News at:
donna.tebeau@gsa.gov

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NEWS - email doris.chew@gsa.gov, fax
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Website

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Editor; Doris A. Chew

Publications Specialist: J. Gordon Dean



1990 K Street NW
Suite 430
Washington, DC 20006

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